

Message Text

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ACTION AGR-20

INFO OCT-01 NEA-14 ISO-00 AID-20 SWF-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 IGA-02

DRC-01 /116 W

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R 251035Z JUN 74

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 5442

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FOLL TEL SENT ACTION ISLAMABAD INFO KARACHI FROM LAHORE
JUN 24 REPEATED TO YOU:

QUOTE

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ALSO FOR USAID AND AGATT

E.O. 11652: N/A

TAGS: EAGR, PK

SUBJECT: FERTILIZER SALES AND WHEAT PURCHASES

1. PAKISTAN FERTILIZER CORPORATION CHAIRMAN BABAR ALI
REVEALED JUNE 23 HE HAD JUST BEEN TO ISLAMABAD TO COM-
PLAIN TO GOP FINANCE MINISTER MUBASHIR HASSAN THAT
FERTILIZER SALES WERE CURRENTLY FAR BELOW MINIMUM
NECESSARY TO INSURE DESIRED RESULTS FROM RICE CROP NOW
BEING PLANTED. ACCORDING TO BABAR ALI'S FIGURES, ONLY
7,000 TONS OF FERTILIZER WERE SOLD IN MAY 1974, AS
OPPOSED TO 20,000 TONS SOLD IN SAME MONTH IN 1973. HE
CLAIMED HE WARNED MINISTER THAT THIS WAS "NUMBER ONE
PROBLEM" FACING COUNTRY AT MOMENT, AND URGED HE LOOK
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INTO PROBLEM AT ONCE. HE ARGUED THAT PRIME REASON FOR

DEPRESSED SALES WAS THAT FARMERS WERE UNWILLING TO PAY INCREASED PRICES FOR FERTILIZER WHEN THEY WERE NOT ALLOWED CONCOMITANT INCREASE IN SALE PRICE OF THEIR WHEAT. HE ARGUED THAT GOVERNMENT SHOULD IMMEDIATELY INCREASE WHEAT PROCUREMENT PRICE BY MINIMUM OF RS. 10 PER MAUND, AND PREFERABLY BY RS. 20 PER MAUND.

2. ON JUNE 24, ROBERT PUGMIRE OF DAWOOD HERCULES (DH) CONFIRMED BABAR ALI'S STATEMENT THAT DH NOW HAS 61,590 MT OF UREA IN ITS GODOWNS, AS OPPOSED TO ABOUT 500 MT AT END OF JUNE 1973. (HOWEVER, PART OF CURRENT STOCK WILL PROBABLY HAVE TO BE RECYCLED SINCE IT IS ON GROUND OUTSIDE GODOWN AND GOT WET DURING RAINS OVER WEEKEND.) PUGMIRE REPORTED THAT SALES HAD PICKED UP SLIGHTLY IN PAST FEW DAYS, BUT WERE NOWHERE NEAR NORMAL MAY RATE. HE GAVE US FOLLOWING COMPARATIVE SALES FIGURES FOR DH:

	1973	1974
APRIL	35,923 MT	13,063 MT
MAY	23,597 MT	10,558 MT
JUNE	27,319 MT	9,852 MT (THROUGH JUNE 22)

3. PUGMIRE POINTED OUT THAT DH SALES WERE ENTIRELY TO DISTRIBUTORS, AND EXPECTED THAT BABAR ALI'S FIGURE OF 7,000 TONS SOLD INDICATED WHAT WAS SOLD BY DISTRIBUTORS TO FARMERS. HE HAD NO IDEA OF LEVEL OF DEALERS INVENTORIES. HE ALSO NOTED THAT DH INVENTORY HAD BEEN KEP DOWN BY FACT THAT PLANTS WAS CLOSED FOR ANNUAL MAINTENANCE FROM APRIL 25 TO MAY 25. IF SALES DO NOT PICK UP, PUGMIRE ASSERTED, DH WILL HAVE REAL PROBLEM DURING MONSOONS; ALTHOUGH FIRM HAS ORDERED SPECIAL TARPAULINS, THEY HAVE NOT YET ARRIVED. AT MOMENT, HE BELIEVED DH SALES WERE PARTIALLY AFFECTED BY FACT THAT GOVERNMENT SET PRICE OF ITS OWN PHOSPHATE-BASED FERTILIZERS (WHICH ALSO CONTAIN UREA) TO LEVEL BELOW THAT CHARGED BY DH, BY REDUCING "INCIDENTALS" PAID TO DISTRIBUTORS.

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4. BABAR ALO CONFIRMED STORY IN PAKISTAN TIMES JUNE 23 DATEDLINE SARGHODA WHICH QUOTED "RELIABLE SOURCE" CLOSE TO PUNJAB FOOD MINISTER DARISHAK AS SAYING PROVINCIAL GOVERNMENT HAD FAILED TO PROCURE SUFFICIENT WHEAT AT CURRENT PRICE OF RS. 25.50. STORY SAID DARISHAK HELD MEETING IN SARGHODA JUNE 22 TO CONSIDER REVISED PROCUREMENT PLAN, WHICH WOULD MAKE IT COMPULSORY FOR GROWERS TO SELL WHEAT TO GOVERNMENT AT FIXED RATES, AND WOULD PROHIBIT SALES TO

PRIVATE PARTIES INCLUDING FLOUR MILLS UNTIL GOVERNMENT
OBTAINED ALL ITS PROCUREMENT NEEDS.
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